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November 7, 2019

Board of Directors
Crisis Connection, Inc.
1500 S. Meridian Road, P.O. Box 903
Jasper, IN 47547

We have reviewed the audit report of Crisis Connection, Inc. which was opined upon by Monroe Shine, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Crisis Connection, Inc. as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Monroe Shine prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

**CRISIS CONNECTION, INC. –
JASPER, INDIANA**

FINANCIAL STATEMENTS

**YEARS ENDED
DECEMBER 31, 2018 AND 2017**

CRISIS CONNECTION, INC.

CONTENTS

	Page
Independent Auditor's Report	3
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-14



MONROE SHINE

KNOWLEDGE FOR TODAY . . . VISION FOR TOMORROW

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Independent Auditor's Report

Board of Directors
Crisis Connection, Inc.
Jasper, Indiana

We have audited the accompanying financial statements of **Crisis Connection, Inc.**, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Crisis Connection, Inc.** as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Monroe Shine

New Albany, Indiana
September 30, 2019

CRISIS CONNECTION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 96,690	\$ 88,572
Contributions receivable	12,000	12,000
Grants receivable	108,289	111,552
Prepaid expense	7,282	5,716
Total Current Assets	224,261	217,840
OTHER ASSET		
Contributions receivable, net	10,703	22,178
PROPERTY AND EQUIPMENT		
Equipment	47,210	60,224
Less accumulated depreciation	30,736	39,563
Net Property and Equipment	16,474	20,661
	\$ 251,438	\$ 260,679

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ 15,014	\$ 26,014
Notes payable	16,458	17,458
Accounts payable	6,684	4,928
Accrued payroll liabilities	17,235	17,859
Total Current Liabilities	55,391	66,259
NET ASSETS		
Without donor restrictions	172,100	158,699
With donor restrictions	23,947	35,721
Total Net Assets	196,047	194,420
	\$ 251,438	\$ 260,679

See notes to financial statements.

CRISIS CONNECTION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>			<u>2017</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
United Way	\$ 38,129	\$ -	\$ 38,129	\$ 42,875	\$ -	\$ 42,875
Grant income	404,865	-	404,865	474,103	-	474,103
Donations	99,735	-	99,735	110,277	-	110,277
Interest income	58	-	58	43	-	43
Other	1,571	-	1,571	5,783	-	5,783
Net assets released from restrictions	11,774	(11,774)	-	11,746	(11,746)	-
Total Revenues	<u>556,132</u>	<u>(11,774)</u>	<u>544,358</u>	<u>644,827</u>	<u>(11,746)</u>	<u>633,081</u>
Expenses						
Program services	493,700	-	493,700	499,984	-	499,984
Supporting services:						
Management and general	41,841	-	41,841	47,908	-	47,908
Fundraising	7,190	-	7,190	8,450	-	8,450
Total Expenses	<u>542,731</u>	<u>-</u>	<u>542,731</u>	<u>556,342</u>	<u>-</u>	<u>556,342</u>
TOTAL CHANGE IN NET ASSETS	13,401	(11,774)	1,627	88,485	(11,746)	76,739
Net assets at beginning of year	158,699	35,721	194,420	70,214	47,467	117,681
Net Assets at End of Year	<u>\$ 172,100</u>	<u>\$ 23,947</u>	<u>\$ 196,047</u>	<u>\$ 158,699</u>	<u>\$ 35,721</u>	<u>\$ 194,420</u>

See notes to financial statements.

CRISIS CONNECTION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>				<u>2017</u>			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Compensation and related expenses								
Salaries	\$ 344,769	\$ 9,637	\$ 1,702	\$ 356,108	\$ 353,315	\$ 14,979	\$ 1,556	\$ 369,850
Payroll taxes	26,542	735	130	27,407	27,032	1,166	121	28,319
	<u>371,311</u>	<u>10,372</u>	<u>1,832</u>	<u>383,515</u>	<u>380,347</u>	<u>16,145</u>	<u>1,677</u>	<u>398,169</u>
Client assistance	9,238	-	-	9,238	1,151	-	-	1,151
Training materials	4,218	-	-	4,218	1,158	-	-	1,158
Office supplies	28,519	5,704	4,111	38,334	33,704	6,741	5,403	45,848
Occupancy	36,585	12,710	-	49,295	37,257	12,462	-	49,719
Telephone	7,305	-	-	7,305	11,644	-	-	11,644
Advertising	2,439	-	-	2,439	1,442	-	-	1,442
Insurance	12,468	1,870	1,247	15,585	10,276	2,055	1,370	13,701
Depreciation	4,215	1,540	-	5,755	3,859	1,410	-	5,269
Professional services	-	9,645	-	9,645	-	9,095	-	9,095
Travel	11,049	-	-	11,049	10,460	-	-	10,460
Miscellaneous	6,353	-	-	6,353	8,686	-	-	8,686
TOTAL EXPENSES	<u>\$ 493,700</u>	<u>\$ 41,841</u>	<u>\$ 7,190</u>	<u>\$ 542,731</u>	<u>\$ 499,984</u>	<u>\$ 47,908</u>	<u>\$ 8,450</u>	<u>\$ 556,342</u>

See notes to financial statements.

CRISIS CONNECTION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,627	\$ 76,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,755	5,269
Donated equipment	-	(6,013)
Donated use of facilities	12,000	12,000
Gain on sale of equipment	-	(5,000)
Amortization of discount on contributions receivable	(525)	(1,338)
(Increase) decrease in current assets:		
Grants receivable	3,263	(11,000)
Prepaid expense	(1,566)	4,574
Increase (decrease) in current liabilities:		
Accounts payable	1,756	(3,528)
Accrued expenses	(624)	8,425
Net Cash Provided by Operating Activities	21,686	80,128
INVESTING ACTIVITIES		
Purchase of equipment	(1,568)	(5,855)
Net Cash Used In Investing Activities	(1,568)	(5,855)
FINANCING ACTIVITIES		
Net decrease in line of credit	(11,000)	(8,130)
Repayment of notes payable	(1,000)	(47,889)
Proceeds from issuance of notes payable	-	25,347
Net Cash Used In Financing Activities	(12,000)	(30,672)
Net Increase in Cash	8,118	43,601
Cash at beginning of year	88,572	44,971
Cash at End of Year	\$ 96,690	\$ 88,572
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for:		
Interest	\$ 2,306	\$ 3,668
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Donated equipment	\$ -	\$ 6,013
Assets traded for the acquisition of equipment	-	5,000

See notes to financial statements.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

The Organization provides educational and counseling services for individuals who have been exposed to domestic violence in Southern Indiana.

The Organization receives a majority of its revenue from United Way, government funding and donations.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

The Organization reports information regarding its financial position and activities in two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The terms are defined below:

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions (donors include other types of contributions, including makers of certain grants).

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Certain prior year totals have been reclassified to conform with current year presentations.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Grant Revenue and Receivables

The Organization's revenue is recognized when services are rendered. Receivables represent amounts owed by various government agencies pursuant to grant reimbursement agreements. The valuation of receivables is based upon an analysis of contractual agreements and collection history. When accounts are deemed uncollectible, they are written off.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

(1 – continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the entity reports the support as without donor restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed use of facilities is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed facilities must be used, the entity has adopted a policy of implying a time restriction on contributions of such facilities that expires over the original lease agreement; consequently, all contributed use of facilities, and of the assets contributed to use such facilities, are recorded as restricted support.

Contributed services that require specific expertise and would normally have been purchased and donated services that create or enhance non-financial assets are recorded at fair market value. Those donated services that do not meet these specific criteria are not reflected in the financial statements.

Property and Equipment

The Organization uses the straight-line method of computing depreciation at rates adequate to amortize the cost of the applicable assets over their useful lives. Purchased property and equipment is valued at cost. Maintenance and repairs are expensed as incurred. The asset cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts and any gain or loss is included in operations.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

(1 – continued)

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not provide for income taxes.

The Organization has implemented the accounting guidance for uncertainty in income taxes. Under that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of December 31, 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization files federal and Indiana income tax returns. Management believes the Organization's tax-exempt status would be upheld upon examination.

(2) **LIQUIDITY**

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2018</u>	<u>2017</u>
Cash	\$ 96,690	\$ 88,572
Contributions receivable	12,000	12,000
Grants receivable	108,289	111,552
	<u>216,979</u>	<u>212,124</u>
Less net assets with donor restrictions	<u>(13,244)</u>	<u>(13,543)</u>
	<u>\$ 203,735</u>	<u>\$ 198,581</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$35,000, of which \$19,986 remained available at December 31, 2018.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

(3) CONTRIBUTIONS RECEIVABLE

During 2015, the Organization renewed a five-year lease for its Jasper, Indiana office. Under the original lease agreement, the Organization made monthly rental payments of \$2,300 which increased to \$2,465 starting December 1, 2015. The estimated fair rental value of the premises was \$3,300 per month which increased to \$3,465 when renewed. The in-kind donations due under this lease agreement have been included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Amounts due after one year are recorded after discounting to the present value of future cash flows. The donations have been discounted at 1.84% per annum.

The donations are expected to be realized in the following periods:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 12,000	\$ 12,000
One to five years	11,000	23,000
Total contributions receivable	<u>23,000</u>	<u>35,000</u>
Less unamortized discount	<u>(297)</u>	<u>(822)</u>
Net contributions receivable	<u>\$ 22,703</u>	<u>\$ 34,178</u>

(4) LINE OF CREDIT

The Organization has a revolving line of credit with German American Bank in the amount of \$35,000. The interest rate charged on this line of credit was 7.25% and 6.750% at December 31, 2018 and 2017, respectively. The line of credit is secured by substantially all the Organization's assets. At December 31, 2018 and 2017, the Organization had borrowings of \$15,014 and \$26,014 on the line of credit, respectively. This agreement matures on October 13, 2019.

(5) NOTES PAYABLE

Notes payable due within one year at December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
7.25% note payable upon maturity on October 13, 2019 secured by all organizational assets	<u>\$ 16,458</u>	<u>\$ 17,458</u>

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 are available for the following purpose:

	<u>2018</u>	<u>2017</u>
Donor restrictions - Sunshine Lady Foundation	\$ 1,244	\$ 1,543
Contribution receivable	<u>22,703</u>	<u>34,178</u>
Total	<u>\$ 23,947</u>	<u>\$ 35,721</u>

At December 31, 2018 and 2017, the Organization had total net assets with donor restrictions of \$23,947 and \$35,721, respectively. Donor restricted net assets were \$1,244 and \$1,543 as of December 31, 2018 and 2017, respectively. Restrictions due to time as discussed in Note 3 totaled \$22,703 and \$34,178, respectively.

(7) LEASES

The Organization conducts its activities from leased facilities in three locations; Jasper, Rockport and Tell City, Indiana. The leases are for various periods from one to five years. Management expects that, in the normal course of business, leases will be renewed or replaced by other leases. Total rent expense for 2018 and 2017 was \$47,654 and \$48,343, respectively. The in-kind rent value received under the agreement described in Note 3 in 2018 and 2017 was estimated at \$12,000.

The following are future minimum rental payments required under leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2018:

Year ending December 31

2019	\$ 30,780
2020	<u>27,115</u>
	<u>\$ 57,895</u>

(8) FAIR VALUE MEASUREMENTS

The Organization adopted the provisions of Accounting Standards Codification (ASC) 820 *Fair Value Measurements*, for financial assets and financial liabilities.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

(8 – continued)

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Organization's financial assets and liabilities carried at fair value. The table below presents the balances of assets measured at fair value on a nonrecurring basis.

	<u>Carrying Value</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
As of December 31, 2018:				
Contributions receivable	\$ -	\$ -	\$ 22,703	\$ 22,703
 As of December 31, 2017:				
Contributions receivable	\$ -	\$ -	\$ 34,178	\$ 34,178

Contributions Receivable. Contributions receivable are reported at fair value on a non-recurring basis using level 3 inputs. The fair value is based on the present value of the expected future cash flows. All pledges due in one year or later are discounted using the rate in effect for the year of the original pledge. See Note 3 for details of the discount rate and time period used for discount calculations.

While management believes the Organization's valuation methodologies are appropriate and consistent, the use of different methodologies or assumptions to determine fair value could result in a different estimate of fair value at the reporting date.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2018 AND 2017

(9) SUBSEQUENT EVENTS

The Organization has evaluated whether any subsequent events that require recognition or disclosure in the accompanying financial statements and related notes thereto have taken place through September 30, 2019, the date these financial statements were available to be issued.